

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2420 - HB 2300

February 17, 2014

SUMMARY OF BILL: Authorizes Industrial Development Corporations (IDCs) to enter into loan agreements with other parties for activities, costs, debt restructuring, or working capital associated with projects. Authorizes an IDCs to sell, exchange, donate, forgive debt, grant and convey any or all assets whenever its board of directors finds such action to further the purposes of the IDC, and authorizes IDCs to transfer any or all of properties or assets in accordance with the terms of any lease, sale contract, loan agreement, mortgage, or deed of trust entered into by the IDC.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Due to multiple unknown variables a precise fiscal impact to local government cannot reasonably be determined; however any impact will be permissive.

Assumptions:

- Pursuant to Tenn. Code Ann. § 7-53-101, a loan agreement is an agreement where an IDC loans the proceeds derived from the issuance of bonds to one or more contracting parties to be used to pay the cost of one or more projects and provides for the repayment of such loan by the other contracting party.
- The provisions of the bill would extend the allowable occasions for which IDCs can enter into loan agreements to include activities, costs, debt restructuring, or working capital associated with projects.
- Under current law, IDCs are authorized to sell, exchange, donate, and convey any of its properties. The provisions of the bill would authorize IDCs to also forgive debt and grant any or all assets whenever the board of directors finds such action to be in furtherance of the purpose of the IDC.
- According to the Department of Economic and Community Development (ECD) and the Office of the Comptroller of the Treasury, the provisions of the bill will not fiscally impact either the department or agency.
- It is unknown how many IDCs will opt to enter into such loan agreements, how many will choose to forgive debt or grant any assets, how either action will impact the revenues of the IDC, and how any such action will fiscally impact the local government in which the IDC is active.
- Due to these multiple unknown variables, any fiscal impact to local government is indeterminable; however any fiscal impact will be permissive.

IMPACT TO COMMERCE:

Other Fiscal Impact – Due to multiple unknown variables, a precise impact to commerce cannot reasonably be determined but is assumed to be positive.

Assumptions:

- According to ECD, the exact number of IDCs is unknown. Each county and some cities have an IDC, but not all of them are presently active.
- Due to multiple unknown variables, such as how many IDCs will opt to enter into such loan agreements with private businesses, how many IDCs will choose to forgive debt or grant any assets to private businesses, how either action will impact job growth, private business revenue and commerce throughout the state, a precise impact to commerce is indeterminable.
- Due to the nature of IDCs, it is assumed that any options taken by the IDCs as a result of the proposed legislation will be done so in a manner to support private business actions; therefore, any impact to commerce is assumed to be positive.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Lucian D. Geise', is positioned above the printed name.

Lucian D. Geise, Executive Director

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